

## **FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
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### **Legislation Title:**

AN ORDINANCE relating to the Seattle Center Department; authorizing the Seattle Center Director to execute a twenty year lease agreement with Cornish College of the Arts under which agreement Cornish will lease the Seattle Center Playhouse for use as a learning environment for theatrical, music, and dance performances, visual arts, and related theater functions.

### **Summary of the Legislation:**

This legislation authorizes execution of a lease agreement with Cornish College of the Arts for the Seattle Center Playhouse. Under this agreement, Cornish will enter into a twenty year lease with the City for the Playhouse. Cornish will use the space as a learning environment for theatrical, music, and dance performances, visual arts, lectures, demonstrations of art forms, administrative offices, rehearsals, and related theater functions, and will make the space available for short term rental to other organizations.

### **Background:**

The Seattle Center Playhouse is located on the northwest corner of Seattle Center between the Seattle Repertory Theatre and the Exhibition Hall at the 2<sup>nd</sup> Avenue North and Mercer Street entrance to Seattle Center.

Originally built for the 1962 World's Fair, the Playhouse became home to the newly formed Seattle Repertory Theatre in 1963. Seattle Repertory Theatre moved to the new Bagley Wright Theatre in 1982 and the Playhouse was rented on a short term basis until 1986. In 1986 the facility underwent a \$1.2 million renovation, including the removal of over half the original seating and construction of a new modified thrust stage set within a steeply raked semi-circle of seats. The building reopened in 1987 as home to Intiman Theatre. In 1998 Intiman funded the addition of an approximately 3,500 sq. ft. studio/rehearsal hall on the south side of the Playhouse.

Intiman Theatre's lease agreement with the Center for the space was through December 31, 2020. Intiman operated successfully for many years. However, in recent years the organization has experienced financial challenges and did not make various payments due to the City. In an effort to address its financial challenges and continue to operate as a nonprofit theatre, Intiman cancelled its regular season and developed a plan to fundraise for and produce a summer festival season and address its outstanding debts. The City terminated their long term lease agreement for non-payment of rent. However, contingent on Intiman remaining current on a negotiated payment plan for the outstanding debt, the City was willing to enter into a shorter term lease to allow Intiman to produce a summer season and to allow for certain upcoming events Intiman had

planned for the Playhouse, while conducting a Request for Proposal (RFP) process for a new long term tenant for the Playhouse.

In May 2012, Seattle Center issued a RFP for Lease of the Playhouse Theatre at Seattle Center. The RFP Review Panel, a subcommittee of the Seattle Center Advisory Commission, unanimously recommended to the Seattle Center Director that Cornish College of the Arts be selected as the next Playhouse tenant. During 2013 Cornish has been leasing the Playhouse on an interim basis under terms similar to the lease being considered in this legislation.

Cornish is the premier accredited arts college in the Northwest, inspiring the highest standards of artistic and academic excellence. The mission of Cornish is to provide students aspiring to become practicing artists with an excellent educational program in an environment that nurtures creativity and intellectual curiosity, while preparing graduates to contribute to society as artists, citizens and innovators. Cornish realizes this mission by offering baccalaureate degrees in the performing and visual arts and by serving as a focal point in the community for public presentation, artistic criticism, participation in and discussion of the arts. Cornish, which will soon celebrate its 100<sup>th</sup> anniversary, has a long history and bright future of contribution to the arts in our community.

### Lease Terms

Cornish will use the space as an integrated learning and performance facility. They will also make the facility available for subleasing to other established artistic and/or cultural organizations for a minimum number of performances per year. In addition to making the facility available to established subtenants, Cornish will also ensure the facility is available to incubatory community based arts organizations for 6 weeks per year.

### Term of Agreement

- The lease term is 20 years, with an option for the City to terminate the lease at 10 years. If the City elects to terminate the lease, the City will reimburse Cornish for up to \$100,000 in documented relocation costs and up to \$250,000 for the un-depreciated portion of their capital investments.

### Rent

- Cornish will pay an annual rent of \$160,000 comprised of a combination of Base Rent of \$80,000 paid in cash and Public Benefit/In-Kind Rent of \$80,000.
- The rent will be increased by the CPI beginning in 2015.
- Public Benefit/In-Kind Rent can be paid through Cornish faculty, alumni, staff and/or students providing free public performances to Seattle Center, reduced rental rates charged to nonprofit organizations or incubatory community based organizations, the provision of programs benefitting the public or other items approved by the Director. Cornish will submit an annual proposal to the Director outlining the proposed benefits for the coming year and the value associated with each of those benefits. If, at the end of the year, the value of the Public Benefit/In-Kind Rent is short of the required amount,

Cornish will pay the deficiency in cash. The value of Public Benefit/In-Kind Rent provided in one year cannot carry over into a future year and it cannot be used in lieu of the required cash rent.

#### City Use and Subtenants

- The City will continue to utilize the Playhouse for Folklife and Bumbershoot as well as having use of the building for up to 5 days per year.
- Cornish may sublease the building to other users and is required to do so for no less than 100 performances per year. If Cornish does not sublease the Playhouse for the required number of performances they will pay liquidated damages of \$375 per performance for each performance less than 100.
- Cornish will also make the Playhouse available to incubatory community based arts organizations for 6 weeks per year.
- Cornish anticipates that Intiman Theatre will be a subtenant and will rent office space and produce a summer theatre festival at the Playhouse.

#### Capital Investment

- Over the lease term Cornish will make a minimum investment of \$1,000,000 in capital improvements to the facility. Of that amount, a minimum investment of \$500,000 will be made in the first ten years.
- The City will provide a tenant improvement reimbursement allowance of up to \$50,000 for acquisition of a fire curtain for the Playhouse.
- At the end of the lease term, all capital improvements made to the premises will become the property of the City.

#### Maintenance and Operations

- Cornish will be responsible for operation and maintenance of the building interior and of all building systems and pay for all utilities.
- The City will be responsible for maintenance of the roof and exterior walls of the building as well as maintaining Seattle Center utility systems serving the building.
- The City will be responsible for maintenance of the Playhouse HVAC system, which is part of the Center's campus-wide system, but Cornish will reimburse the City for all maintenance costs.

Please check one of the following:

       **This legislation does not have any financial implications.**

  **X**   **This legislation has financial implications.**

### Appropriations:

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
<b>TOTAL</b>				

*\*See budget book to obtain the appropriate Budget Control Level for your department.*

### Appropriations Notes:

This legislation does not authorize an appropriation.

### Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
<b>TOTAL</b>				

### Revenue/Reimbursement Notes:

This legislation does not include an appropriation. The adopted 2013 and 2014 Seattle Center revenue budget assumed lease revenue of \$52,000 and \$53,000 respectively and that the lessee would pay all utility costs for the space. The proposed lease includes total 2014 rent of \$160,000, with \$80,000 being paid in cash. Cornish will pay for all Playhouse utilities.

### Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
<b>TOTAL</b>							

*\* 2014 positions and FTE are total 2014 position changes resulting from this legislation, not incremental changes. Therefore, under 2014, please be sure to include any continuing positions from 2013.*

### Position Notes:

This legislation does not create or abrogate positions.

### Do positions sunset in the future?

NA

### Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
<b>TOTAL</b>				

\* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

Not applicable

**Other Implications:**

- a) **Does the legislation have indirect financial implications, or long-term implications?**  
 In this legislation the City commits to maintaining the structural aspects and exterior of the Playhouse throughout the lease term. It should be noted that the City has had and will continue to have this responsibility even if the legislation is not approved.
- b) **What is the financial cost of not implementing the legislation?** If this legislation is not approved, there will be no tenant in the playhouse and the City would be responsible for all maintenance and utility expenses.
- c) **Does this legislation affect any departments besides the originating department?**  
 No
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** The May 2012 RFP resulted in two proposals. The other proposer, Theatre of Puget Sound, would be an alternative tenant for the building, although the Seattle Center Advisory Commission subcommittee evaluating the proposals considered Cornish's proposal to be a better fit with the Center's goals. Seattle Center could also operate the Playhouse as a rental facility and assume responsibility for all operating, maintenance and utility expenses.
- e) **Is a public hearing required for this legislation?**  
 No
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No
- g) **Does this legislation affect a piece of property?** Yes, the Seattle Center Playhouse is on the northwest corner of Seattle Center between the Seattle Repertory Theatre and the Exhibition Hall at the 2<sup>nd</sup> Avenue North and Mercer Street entrance to Seattle Center. A map depicting the premises floor plan is included as Exhibit A to the lease.
- h) **Other Issues:** None